

# **Exhibit FF**

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# Apple Continues To Dominate The Smartphone Profit Pool



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Markets

*I cover technology companies, worldwide economies and the stock market*

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Walkley's figures show how successful Apple has been in dominating the smartphone profit landscape



Apple's profit share is over 4 times larger than Samsung, its nearest competitor

Investors and analysts tend to be concerned that Apple's iPhone lags Google's Android smartphones substantially in unit market share. While any product needs to sell enough to be viable, the other side of the equation is the device's profitability. It is incumbent on the company that holds the profitability high ground that it maintains the functionality and brand that allows it to be the leader, as there is always the scenario that a very profitable product will have its margins competed away. The bottom line is that while Apple only captured 19% of smartphone shipments per IDC in the December quarter, it seized 87% of the profits per Canaccord Genuity. *(Note that I own Apple shares).*



Aadhyan Vaka, 6, of Plainsboro, N.J., reacts while playing with the animoji feature of the new ... [+]

## iPhone units were about 15% to 20% of the market over the past year

[IDC estimates](#) that Apple shipped the most smartphones of any company in the December quarter. It sold 77.3 million iPhones, which was down 1.2% vs. a year ago. However due to the company's December 2016 quarter having 14 weeks [it really had a 6.4% increase in units sold on a per week basis](#). This led to a 19.2% share for the quarter.

Samsung was a close second in the December quarter shipping 74.1 million smartphones, down 4.4% year over year, for an 18.4% share. Huawei was in third place shipping 41 million smartphones for a 10.2% share. The fourth and fifth positions were also Chinese companies. Xiaomi had a 7.0% share, followed by OPPO at 6.8%.

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Company	4Q17 Shipment Volumes	4Q17 Market Share	4Q16 Shipment Volumes	4Q16 Market Share	4Q17/4Q16 Change
1. Apple	77.3	19.2%	78.3	18.2%	-1.3%
2. Samsung	74.1	18.4%	77.5	18.0%	-4.4%
3. Huawei	41.0	10.2%	45.4	10.5%	-9.7%
4. Xiaomi	28.1	7.0%	14.3	3.3%	96.9%
5. OPPO	27.4	6.8%	31.6	7.3%	-13.2%
Others	151.3	38.6%	183.7	42.7%	-17.6%
<b>Total</b>	<b>403.5</b>	<b>100.0%</b>	<b>430.7</b>	<b>100.0%</b>	<b>-6.3%</b>

Source: IDC Worldwide Quarterly Mobile Phone Tracker, February 1, 2017

Smartphone December quarter market shares IDC WORLDWIDE QUARTERLY MOBILE PHONE TRACKER, FEBRUARY 1, 2017

For the full year Samsung was the unit share leader. It shipped 317.3 million smartphones, up 1.9% from 2016, and captured 21.6% of the market. Apple was a distant second at 215.8 million iPhones for a 14.7% market share. Huawei was third at 10.4%. OPPO came in fourth at 7.6% and Xiaomi was fifth at 6.3%.

Company	2017 Shipment Volumes	2017 Market Share	2016 Shipment Volumes	2016 Market Share	Year-Over-Year Change
1. Samsung	317.3	21.6%	311.4	21.1%	1.9%
2. Apple	215.8	14.7%	215.4	14.6%	0.2%
3. Huawei	153.1	10.4%	139.3	9.5%	9.9%
4. OPPO	111.8	7.6%	99.8	6.8%	12.0%
5. Xiaomi	92.4	6.3%	53.0	3.6%	74.5%
Others	577.7	39.5%	654.5	44.4%	-11.7%
<b>Total</b>	<b>1472.4</b>	<b>100.0%</b>	<b>1473.4</b>	<b>100.0%</b>	<b>-0.1%</b>

Source: IDC Worldwide Quarterly Mobile Phone Tracker, February 1, 2017

2017 smartphone market shares IDC WORLDWIDE QUARTERLY MOBILE PHONE TRACKER, FEBRUARY 1, 2017

## iPhone captured half of all smartphone revenue

Strategy Analytics estimates that the smartphone market's December quarter revenue increased by 7.5% from \$111.8 to \$120.2 billion. In the same quarter Apple's iPhone revenue increased from \$54.4 to \$61.6 billion (51% of the segment's revenue) and increased 13.2% year over year. When you take into account the company's 14 week December 2016 quarter the iPhone's revenue increased 21.9%.

Note in the chart below that the Other category market share fell. It will be worthwhile to keep track of the long-term trend to see if some of the smaller players exit the business.

Global Smartphone Wholesale Revenues (US\$, Billions)	Q4 '16	Q4 '17
Apple	\$54.2	\$61.4
Samsung	\$16.2	\$18.9
Huawei	\$7.2	\$8.4
Others	\$34.2	\$31.5
Total	\$111.8	\$120.2

Global Smartphone Wholesale Revenue Share (%)	Q4 '16	Q4 '17
Apple	48.5%	51.0%
Samsung	14.5%	15.7%
Huawei	6.5%	7.0%
Others	30.5%	26.2%
Total	100.0%	100.0%

Smartphone market December quarter revenue STRATEGY ANALYTICS

### Apple's smartphone profit share has ranged from 62% to 90%


Michael Walkley at Canaccord Genuity estimates the share of operating profits for major smartphone companies. His analysis excludes a large number of Chinese OEMs due to not having comparable profit figures. However, Walkley believes that many of them are operating at breakeven levels, so these companies wouldn't swing the results by very much.

Walkley's figures show how successful Apple has been in dominating the smartphone profit landscape  .

- 2013: 62% of Operating Profit Value Share
- 2014: 77%
- 2015: 90% (iPhone 6 was launched in September 2014)
- 2016: 83%
- 2017 March quarter: 84%
- 2017 June quarter: 68%
- 2017 September quarter: 72%
- 2017 December quarter: 87%
- 2017: 79%

2015 was the year that Apple captured the largest share of smartphone profits. To a large degree this coincided with the iPhone 6 and 6 Plus, which were launched in September 2014 and whose demand remained strong in 2015.

Samsung has consistently held the number two profit position. Its share peaked at 43% in 2013 and ranged between 16% and 18% during 2015 to 2017. Huawei's profit share has only increased to a high of 6% in 2017 after running breakeven during 2013 to 2015. Every other smartphone company has been losing money to operating at a breakeven level.

Apple's profit share is over 4 times larger than Samsung, its nearest competitor . Unless something dramatic shakes up the smartphone market, it appears that Apple is on very solid ground.



**Chuck Jones**

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